Business Day

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Retail Sales Rose 0.9% In April

Economists Divided In Analyzing Data

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WASHINGTON, May 13 — Retail sales climbed nine-tenths of 1 percent in April, essentially offsetting a March decline that was bigger than first thought, Commerce Department figures showed today.

The report unsettled some economists who saw it as a sign that the budding recovery might have begun to wilt, but it reassured others that sales climbed, albeit from a lower starting point.

Two other reports today had a similar split effect on analysts. The Labor Department report on the Consumer Price Index proved more reassuring than not, as it showed that prices rose just two-tenths of 1 percent last month, confirming the belief that inflation remains subdued. But auto makers said sales in the first 10 days of May were down three-tenths of 1 percent, a performance seen as disappointing. [Page C2.]

Taken together, the reports seemed to various analysts to be likely to nudge the Federal Reserve closer to another cut in interest rates.

Fed to Meet Next Week

The Fed on Friday is to issue its monthly report on industrial production and rate of operation, followed on Tuesday by a meeting of the Federal Open Market Committee, its main policy-making body. Some analysts believe the Fed will wait until its meeting to act.

Since consumer prices are a lagging indicator — one that generally moves after the economy at large — much of the attention today went to retail sales, a current gauge that accounts for one-third of the nation's economic activity.

Although the nine-tenths of 1 percent April rise was more than expected, this was only because of a sizable downward revision for March that turned what had been a decline of four-tenths of 1 percent to a decline of a full 1 percent.

Among those disappointed by the sales numbers was Campbell Harvey, an associate professor of finance at Duke University's Fuqua School of Business. "We're not seeing the strength in the consumer sector that we saw at the beginning of the year," Professor Harvey said.

Expected Easter Effect

With the benefit of favorable timing for Easter, sales should have been significantly better even allowing for the negative effects on shopping of the Chicago floods, he asserted.

At least a modest further easing by the Fed is imminent, he predicted.

The Commerce Department makes allowances, not always accurately, for seasonal, holiday and trading-day differences in retail sales but does not do so for price changes.

Alan C. Lerner, a top economist at the Bankers Trust Company, took a more optimistic view of the sales figures. "They show the consumer is still moving along in a positive way," he said, adding that he believed the Fed would probably back away from further easing until the employment report due in early June.

To Norman Robertson of Pittsburgh's Mellon Bank, the sales results were so-so, reflecting a consumer sector still burdened by debt and concerned about jobs. "It's just about holding its own," Mr. Robertson said, citing a group of retail categories in which spending is mostly discretionary and that shows declines for both March and April following strong gains for the first two months of the year.

He said today's reports did little to change the odds of Fed action, which he said remained 50-50 for a cut during the next month.

Sales grew last month to $158 billion, with durable goods advancing 1.9 percent and nondurables three-tenths of 1 percent.

Automotive dealers enjoyed a 2.6 percent gain and merchants selling building materials, hardware, garden supplies and mobile homes did even better, posting a 2.8 percent gain. But the other major durables category — furniture, home furnishings and equipment — suffered a 1.5 percent decline, roughly wiping out their March increase and a possible first sign of weakness in housing-related goods.

Without the automotive group, total retail sales rose just four-tenths of 1 percent. Auto sales themselves, analysts at C. J. Lawrence noted, have been much weaker in number of units than in dollar terms. The report from auto makers today on their early May sales showed a generally sluggish industry, but one automotive analyst did see a bright spot in the fact that American car companies were getting a bigger market share.

Economists are divided on the message sent by consumers.

The automotive sector also accounted for most of the downward revision for retail sales in March.

Among nondurables, four of the main categories posted increases, while two fell. Sales rose 1.6 percent at apparel and accessory stores; eight-tenths of 1 percent at gasoline service stations, mainly because of higher prices; seven-tenths of 1 percent at drug and proprietary stores, and five-tenths of 1 percent at food stores.

Restaurants and bars saw business fall off another 1 percent while stores selling general merchandise had a four-tenths of a percent sales decline.

Over all, said Kathleen Stephansen and Jade Kim of Donaldson, Lufkin & Jenrette, retail sales last month were only eight-tenths of 1 percent higher than than the first-quarter average. They saw this as "a somewhat disappointing performance," especially when adjusted for inflation.

Last month's sales were 4.4 percent higher than those of April 1991, barely above consumer inflation of 3.2 percent over this period.